

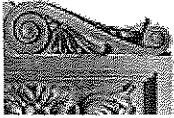
Eric Levy /R5/USEPA/US
10/25/2007 10:50 AM

To

Subject Fw: Answers to your Laurelville report questions

Here's a little more detail on the audit.

----- Forwarded by Eric Levy/R5/USEPA/US on 10/25/2007 10:16 AM -----



Randy Holthaus /R6/USEPA/US To

10/25/2007 10:01 AM

Subject Answers to your Laurelville report questions

Eric,

Regarding the questions you had for me earlier today on the phone:

(1) What made up the other \$70,000+ in costs?

The Village made 7 draw downs under the grant. We reviewed them and the supporting documentation they provided to us. Drawdown 1 could not be reconciled, and consisted of pre-award costs that were ineligible based on criteria cited. Drawdown 4 had no spreadsheet explaining the costs, and was just a stack of invoices. So, we couldn't reconcile that either. Since we couldn't reconcile the first and largest drawdown, or the fourth, we couldn't determine total project costs, match, etc. Hence the unsupported costs, which is a calculation where we subtracted ineligible costs from total costs to get the remainder (unsupported). Had we found no ineligible costs, we would have considered the entire grant costs as unsupported based on the Village's poor records, inability to determine project costs, etc.

(2) Matching cost issue:

The grantee took out the \$100k loan up-front (in 2000), and said that would be their match. However, they were responsible for 45.75% of total project costs, which were estimated to be \$693,148. If the grant were completed, the match would have been \$317,148. Since the Village stopped work and total project costs to date were \$513,268, the match should have been \$234,820. This is more than twice the \$100K loan, which is the only match information the grantee provided. Because all funds were co-mingled in the Village's general fund, we couldn't determine what was match and what were grant funds.

(3) Pre-award costs:

Preaward question - there was no pre-award condition in the grant . If there was, preaward costs could have been eligible up to 90 days prior to the award of the grant, had they been incurred during the fiscal year of the earmarked appropriation (2002). Since the grant was awarded on May 24, 2002, costs COULD have been eligible from Feb. 24, 2002 forward had the special condition been approved in the grant .

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